

## April 2014 Summary and Analysis of Rental Reports

There are a number of regular monthly rental sector reports. Some cover the UK and some cover just England and Wales. This is a summary of the report headlines and latest data together with Kate Faulkner's commentary on the implications for landlords and tenants:-

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### Report Headlines:-

[Move with Us](#) *"Rents rise £50 in the South East versus Q1 13. (Q1 14 – England, Wales & Scotland)"*

[Belvoir Lettings](#) *"Average rents for all offices trading over the last five years in March 2014 were £685, on a par with February 2014. (Mar 14 – England, Wales & Scotland)"*

[Acadata/LSL](#) *"Rents rise at slowest annual pace since January 2010 – up just 0.9% in twelve months to March. (Mar 14 – England & Wales)"*

[Homelet](#) *"North/South divide widens as rents in the capital increase to almost three times those in the North East. (Mar 14 – England, Wales & Scotland)"*

### Average National Rents

Rental Indices	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
Homelet	£777	£777	£774	£793	£787	£811	£826	£851	£854	£815	£806	£813	£800	£818	£824
LSL	£732	£731	£735	£736	£737	£737	£738	£743	£757	£758	£753	£745	£742	£743	£741
Belvoir	£687	£686	£690	£689	£687	£685	£687	£687	£689	£686	£685	£683	£685	£686	£685

#### Kate Faulkner comments on Rental Report Headlines:

*"Most of the rental indices back rents are pretty much the same month on month, although Homelet and LSL are showing increases year on year, and this is likely to be down to past rises in London. Belvoir, which hasn't a huge presence in London but is strong in the rest of the UK, shows rents have hardly changed throughout the last 15 months at all.*

*However, rents tend to start rising from April onwards through the summer, then drop back towards the end of the year, and with wages expected to beat inflation for the first time for some years, it's likely rents could see some real and sustained growth for the rest of the year."*

## Regional Rental Price Variations

### Move with Us

*“On a regional level, growth in Greater London, Scotland and the South East brings good news for landlords. However, average asking rents have seen significant discounts in the North East and Wales following the spike at the end of 2013. This will no doubt be welcome news for prospective tenants in these regions. National rents are stronger than those of 12 months ago which suggests that the peak witnessed in Q4 2013 has been surpassed. (Q1 14)”*

### Belvoir Lettings

*“Feedback from the offices suggests that the regions of East Midlands, East Anglia, North East and North West are still recovering to the rental heights of 2008, with rents in Yorkshire, West Midlands, South East, South West and London remaining above the 2008 heights. Rents in Scotland, Wales and Northern Ireland remain fairly stable. (Mar 14)”*

### Acadata/LSL

*“Rents in five out of ten regions are higher than in March 2013, led by the South West with 5.2% annual rent rises. This is followed by 2.3% annual growth in the North West and 1.4% annual rent rises in the South East. Of the five regions where rents are now lower than a year ago, the East of England has seen the sharpest fall, down by 3.6% over the course of twelve months. Wales has seen rents fall 2.0% in the past twelve months, while rents in the West Midlands are 1.2% lower than a year ago. Meanwhile, falling rents on a monthly basis were led by lower rents in London and the South East. London and the South East both saw rents fall by 0.4% between February and March. This is in line with, and broadly powered, the monthly fall across England and Wales. (Mar 14)”*

### Homelet

*“Although the monthly figures show relatively little movement during the past three months, the latest HomeLet Rental Index’s quarterly and annual figures show rents within the private rented sector are growing at a much higher rate in the north than the south. When looking at the top 25 areas of rental growth versus the lowest 25 across the whole of the UK, we can see almost half of those in the top sector are within Greater London or the South East - compared to the lowest 25 areas where almost half are northern regions, including Yorkshire and Humberside, the North East and North West. Greater London and the South East’s rental markets are growing at a much higher rate than anywhere else in the UK. Wales and the West Midlands were home to three consecutive monthly decreases in average rents. East Anglia’s 1.5% increase in monthly average rental amounts to £725 is the first since December 2013. (Mar 14)”*

## Room Rents

### SpareRoom

*“UK room rents have been on the rise for a while, but there is evidence that this is slowing down a little now. Room rents rose nearly 7% between 2012 and 2013, but just over 5% since last year. Not every region has seen room rents rise, while fluctuations seem to be less extreme. Average rents in Northern Ireland fell by 3% since last year, with Belfast reporting a drop of -1.45% since last month’s SpareRoom index. The largest annual rise has been seen in Scotland, where average weekly rents are nearly reaching the £100 mark previously only seen in London and the South East. The North West is also seeing fairly strong rises, with rents increasing over 4% since last year. Parts of Bradford and Bolton have seen quarterly rises of more than 20%. (Mar 14)”*

### **Kate Faulkner comments on Regional Rent Variations:**

*“As with the property price market, the North seems to be taking its time to see rents increase, while the South is benefiting from better economic conditions, including more employment, helping to boost rents where demand exceeds supply. Room rents are interesting though, as they do appear to be rising at a better rate than properties rented out in their entirety, especially in areas where some property rents are struggling, such as the North East, Bradford and Bolton.”*

## Capital Growth & Yields for Landlords

### Acadata/LSL

*“Gross yields on a typical rental property have seen no significant change on a monthly basis, standing at 5.1% in March, the same as was recorded in February. However, yields have fallen on an annual basis compared to March 2013, when the average gross yield on a rental property in England and Wales was 5.4%. This fall in yields on an annual basis is due to increases in property values. However, taking into account this price growth, plus improved void periods between tenants, total annual returns on the average rental property have risen to 12.0% in the year to February. This compares to just 5.1% in March 2013 – and represents the largest recorded total annual returns for landlords since June 2010, when this figure stood at 12.5%. In absolute terms this means the average landlord in England and Wales has seen a return of £19,647 in the last twelve months, with rental income of £8,038 and capital gain of £11,609. (Mar 14)”*

### ARLA

*“Compared with three months ago, the average weighted rental return for houses is up from 5.0% to 5.1% and the average weighted rental return for flats is up from 5.2% to 5.3%. These changes do no more than partially reverse the changes seen three months ago. The overall average capital asset value of rented houses has fallen by 1.6% over the last three months, partially reversing the increase seen three months ago. This fall has come as a result of a substantial decrease in the average value of rented houses for those in the Rest of the UK (down by 12.4%). For those managing properties in Prime Central London and those in the Rest of the South East, average values rose a little (up by 0.7% and 0.4% respectively). Over the same period, the overall average value of rented flats fell by 3.2%. This fall has come as a result of decreases in the average values of rented flats for those managing properties in Prime Central London (down by 2.1%), for those in the Rest of the South East (down by 3.6%) and for those in the Rest of the UK (down by 6.3%). (Q1 14)”*

### **Kate Faulkner comments on Capital Growth & Yields:**

*“Yields are always likely to take a tumble as property prices rise as rents typically don’t follow. However, property investment mostly delivers capital growth; rental income tends to be a good way of covering cashflow unless you are renting rooms and achieving above average yields. So it’s not a surprise and it’s good news for existing landlords that although yields are lower, overall returns are likely to be higher over the year.”*

## Demand for Rented Property

### Belvoir Lettings

*“Feedback from the offices suggests there was strong demand in a number of areas during March, including, Peterborough, Enfield, Newcastle upon Tyne and Bangor. (Mar 14)”*

### Acadata/LSL

*“More first time buyers are starting to balance the many thousands of new tenants entering the rental market. And this is slowing demand a little. The result is a private rented sector where supply and demand are more aligned than for many years. (Mar 14)”*

### ARLA

*“Since the last survey three months ago, demand in the rented residential property sector has strengthened considerably in terms of the overall proportion of respondents saying that there are more tenants than there are properties available for them, with the figure rising quite sharply from 46% to 54%, more than reversing the declines seen in the last two quarters. This overall increase was reflected in the figures for all the broad geographic areas. (Q1 14)”*

### RICS

*“Tenant demand continues to rise even if at a more modest rate than last month (on a non-seasonally adjusted basis). (Mar 14)”*

#### **Kate Faulkner comments on Demand:**

*“Apart from the Acadata indices, most are reporting tenant demand is pretty healthy and in the main, demand from tenants, despite the growth in first time buyers, is still strong. From a demand and supply perspective, as demand rises, it does appear to be matched with an ever increasing number of buy to let landlords.”*

## Supply of Rented Property

### Belvoir Lettings

*“Feedback from the offices would indicate that a good supply of properties is continuing to come from buy to let investor landlords, both new and existing, wanting to increase their portfolios. (Mar 14)”*

### Acadata/LSL

*“A flow of investment from landlords has increased supply of homes to let, supported by historic low mortgage rates and significant growth in the number of buy-to-let loans. (Mar 14)”*

### ARLA

*“The proportion of ARLA members who think landlords are currently increasing their net investment in residential property by buying properties declined a little this quarter, falling from 43% to 42%, but remains at an historically high level. However, the proportion of respondents who think landlords are currently decreasing their net investment by selling properties is up quite sharply, from 15% to 20%. As a result of these changes, the margin between the proportion saying landlords are buying and the proportion saying they are selling has reduced but is still one of the widest we have seen. The proportion of ARLA members’ offices who believe that they are seeing an increase in rental property coming onto the market because it cannot be sold has fallen yet again over the last three months, this time from 18% to 12%, taking the figure to its lowest level since this question was first asked nearly 6 years ago, when it stood at 93%. (Q1 14)”*

### RICS

*“Landlord instructions remained flat as has generally been the case since October last year. As a result, rents are expected to see further gains over the next three months at the headline level. (Mar 14)”*

#### **Kate Faulkner comments on Supply of Property:**

*“The supply of properties in the rental market is set to rise quite substantially, not just due to everyday buy to let landlords, but the new ‘build to rent’ projects which are shortly to come on stream. Although not deemed as a huge success, so far, it will be fascinating to see what impact institutional investment has on the local property market for individual buy to let investors.”*

## What to do next?

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If you need Kate to appear on TV, radio or for general comment, please contact directly:-

Kate Faulkner, Property Market Analyst and Commentator

Websites: [Kate Faulkner](#) [Property Checklists](#)

Email: [kate@designsonproperty.co.uk](mailto:kate@designsonproperty.co.uk)

Telephone: **0845 838 1763**

## About Kate Faulkner

Kate carries out over 50 speaking engagements every year, highlighting property market issues to the industry and consumers. She has written six property books including four for Which?, is a featured property expert on the 4Homes website, regularly presents market issues for BBC Radio Nottingham and has a column in the Nottingham Evening Post and is currently the Telegraph's property club Q&A person.

She has appeared on BBC Breakfast News, Daybreak, 'Your Money', Radio 2's Jeremy Vine Show, Radio 4's You and Yours, Radio 5 Live, ITV/ITN News and The Big Questions.

For more information contact Kate Faulkner directly on **07974 750562** or [kate@designsonproperty.co.uk](mailto:kate@designsonproperty.co.uk)